

Exhibit C

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8 VIDEOTAPED DEPOSITION OF LEIA FARMER

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1 from Randall to -- to Doug, but I don't recall
2 specifically when that transition took place.

3 Q. Okay. Do you have a recollection at
4 the time you arrived of what the process was in
5 connection with the SAR filing activity?

6 A. I'm not sure I understand the question.
7 Would you clarify?

8 Q. At the time that you arrived, was there
9 a sort of step-by-step process that occurred
10 that would ultimately lead either to the filing
11 of a SAR or a SAR not being filed?

12 A. Yes, there was a process.

13 Q. And what was that process?

14 A. The process was to -- as I understood
15 it and observed at the time was to -- the
16 deposit team members would essentially receive a
17 deposit, review information on what we call kind
18 of a red flags indicator list, and then submit
19 that to the AML officer or designee for review.

20 Q. Okay. And did that process change
21 after you came on board?

22 A. Yes.

23 Q. There was a period of time when you
24 were CCO but not yet AMLO; correct?

25 A. Correct.

1 Q. And that lasted for the better part of
2 a year; is that correct?

3 A. Just a little bit over a year. A year
4 and a couple months.

5 Q. So could you describe for us what
6 actually -- what activities you engaged in
7 during that year in relation to the AML program?
8 What steps, if any, did you take?

9 A. A portion of it was really observing
10 the -- the program generally, among all the
11 other duties I was responsible for. Spending
12 time with -- with Randy, who was the AML
13 officer, speaking with other members of the
14 organization that were there at the time that I
15 joined the organization. To get a better sense
16 of what they were doing. Sitting in on the --
17 the meetings that we would have around AML and
18 the AML program generally and compliance. In
19 the -- in roughly -- responding to various
20 regulatory queries, some relating to our
21 program, some not relating to the program. In
22 roughly the summer, maybe the fall I gathered
23 some material together to meet with members of
24 the compliance department as well as the legal
25 team to provide training on -- on suspicious

1 Q. And does that relate to these first two
2 boxes that I see on this checklist?

3 A. It does.

4 Q. So what are these boxes referring to?

5 A. The transaction.

6 Q. And do they set thresholds over which
7 Alpine would just go ahead and file a SAR
8 relating to a deposit?

9 MR. CARLYLE: Object to the form.

10 A.

11 Q. The over 25,000 and over 5 million
12 shares.

13 A. These would be indicators of where the
14 transaction may be potentially suspicious.

15 Q. And were those sort of thresholds
16 pursuant to which Alpine would go ahead and file
17 a SAR?

18 A. Correct.

19 MR. CARLYLE: Object.

20 Q. Okay. The next box, increased
21 supervision account, what does that refer to?

22 A. That refers to -- it's my
23 understanding, my recollection is that refers to
24 heightened supervision accounts, so --

25 Q. And what were those?

1 review. And that's what this was intended to
2 cover.

3 Q. Okay. The folks that are -- that are
4 using this checklist, are they conducting an
5 initial review that would relate to whether a
6 SAR would ultimately be filed?

7 A. They were -- they were the -- yes, that
8 is correct. They were ultimately the first
9 group, which is both the compliance team and the
10 legal team looking at those.

11 Q. Okay. And what materials would those
12 individuals have? What -- what documents would
13 they be reviewing?

14 A. They would in most cases be looking at
15 -- in the case of a deposit transaction, looking
16 at the deposit packet. So the details about how
17 the client acquired those -- that security. All
18 the relevant details associated with the -- the
19 purchase of that transaction.

20 Q. Okay. Now, Alpine is obviously a
21 clearing firm. So is it correct that it doesn't
22 have direct contact with the actual customer?

23 MR. CARLYLE: Object to form.

24 A. The -- Alpine was also a retail
25 broker-dealer.

1 customer obligation. The clearing firm does
2 not.

3 Q. Okay. All right. So these materials
4 are received from the introducing broker, and
5 they're reviewed by this compliance analyst at
6 Alpine; is that correct?

7 A. Correct.

8 Q. Okay. What does that compliance
9 analyst then do with that information?

10 A. They're performing an AML review. So
11 to be clear, they're not performing a review
12 with respect to suitability, they're not
13 performing a review with respect to the
14 customer. It is truly looking at the -- the --
15 what is known about that particular security and
16 that client based on the documentation. And so
17 the person from the deposit team or from the
18 legal team is simply reviewing that information
19 to determine whether -- essentially performing
20 an AML review, determining whether the activity
21 is -- is or is not suspicious.

22 Q. Okay. I'd like you to take a look at
23 what I would ask to be marked as Exhibit 48.

24 (Exhibit 48 was marked for
25 identification by the reporter.)

1 SAR -- a draft SAR; is that correct?

2 A. That is correct.

3 Q. Okay. This thing includes on page 2 a
4 step in which the preparer would pull what's
5 described as a template. And that's in item
6 number 5. Do you see that?

7 A. Yes.

8 Q. Okay. At the time that you came to
9 Alpine, was it your understanding that Alpine
10 was routinely filing SARs on large deposits of
11 low priced securities regardless of whether
12 Alpine determined them to be suspicious?

13 MR. CARLYLE: Object to form.

14 A. That's my understanding.

15 Q. Okay. And does this reflect the
16 preparation of a SAR like that?

17 A. It does.

18 Q. Would this be the be all and end all of
19 the SAR filing process? What's described in
20 this particular SOP?

21 A. Not necessarily.

22 Q. Okay. So what would happen next after
23 this step?

24 A. So once the -- the narrative is
25 prepped, it would then be reviewed by an AML

1 officer or designee. Actually, let me back up
2 and say there's one other group, the legal team
3 would also review these or I should say provide
4 input. They might not necessarily review them,
5 but provide input. It would then go to the AML
6 officer or designee who would then review it and
7 may or may -- may or may not add additional
8 information.

9 Q. Okay. Now, during the -- during your
10 initial period at Alpine were you taking a look
11 at this policy or practice of Alpine routinely
12 filing SARs with connection -- in connection
13 with large deposits of low priced securities?
14 Was that something you were evaluating?

15 MR. CARLYLE: Objection to form.

16 A. Yes.

17 Q. Okay. And what was your approach to
18 that issue of whether Alpine should be filing
19 SARs solely on deposits of low priced
20 securities?

21 MR. CARLYLE: Objection to form.

22 A. Well, the approach was to -- was to
23 continue the practice. I mean, we didn't
24 discontinue the practice of -- of not filing
25 SARs or filing SARs. It was to -- but it was to

1 specifically he was an AML officer.

2 Q. Okay. According to this, the -- the
3 firm had explained to the regulators that Jim
4 had received information from the regulators
5 that Alpine Securities was filing too many SARs.
6 Do you see that question there?

7 A. I do.

8 Q. And in connection with responding to
9 this, did you take a look, research that issue
10 and Jim's conversations?

11 A. Yes. Specifically I spoke with Jim.

12 Q. Okay. And --

13 A. That's the basis for the research.

14 Q. Okay. And what did you learn from Jim
15 with respect to this exchange with regulators?

16 A. He essentially reaffirmed that there
17 was an exchange. I was not able to find really
18 any -- any written documentation that would
19 align with his -- what he shared.

20 Q. Okay. The idea of filing too many
21 SARs, do you have an understanding of the kind
22 of SARs that that related to?

23 A. It's my understanding that it was
24 specific to deposits.

25 Q. So does this -- was it your

1 understanding that this related to the kind of
2 SARs that were filed by Alpine that simply
3 reported the fact of a large deposit of low
4 priced securities?

5 A. That was my understanding.

6 Q. All right. And you then respond here
7 in this letter regarding that issue; correct?

8 A. Yes.

9 Q. Okay. Now, in this letter you indicate
10 that Jim had said that the fact of a deposit of
11 a low priced security -- that that may not be a
12 reason to file a SAR. Do you see that language?

13 A. I do. That first step, yep.

14 Q. And then you go on each review resulted
15 in a facts and circumstances analysis to
16 determine whether or not to file a SAR?

17 A. Yes.

18 Q. Okay. Was that -- based on this
19 information that you had as of the fall of 2012,
20 did you add that into your approach to
21 evaluating whether Alpine should continue to
22 file SARs simply on deposits?

23 A. That was definitely a consideration as
24 we -- as I was looking to augment the program.

25 Q. Okay. And did -- to the best of your

1 recollection, did you have Alpine cease that
2 practice at that point, or did the practice
3 continue at least for some period of time?

4 A. The practice --

5 MR. CARLYLE: Object to form.

6 A. The practice continued for some period
7 of time. The intent wasn't to respond to have
8 kind of a knee jerk reaction to that and simply
9 stop filing altogether. It was to develop and
10 build the program and then look to -- to move
11 away from a defensive filing to a more
12 deliberate thoughtful process.

13 Q. Okay. I'd like you to take a look at
14 the next communication, if we could mark this as
15 52.

16 (Exhibit 52 was marked for
17 identification by the reporter.)

18 Q. And if you could tell me if you
19 recognize this.

20 A. I do.

21 Q. And is this a subsequent response to
22 Eric Citrin at FINRA in New York?

23 A. Yes.

24 Q. And this document is Bates Farmer 0132
25 dated October 24th of 2012. Does this document

1 also address this issue of the filing of SARs?

2 If you want to take a look at page 5.

3 A. Yes, it does.

4 Q. And in this particular document, do you
5 address an issue regarding periods of time when
6 there were no SARs that were filed by Alpine?

7 A. Yes, I do.

8 Q. Okay. If we look at page 5, it looks
9 like, again, you explain the conversation that
10 Walker had had with regulators with respect to,
11 quote, filing too many SARs. Do you see that?

12 A. Actually, I think that's FINRA's
13 response. It's on page 5?

14 Q. Okay.

15 A. FINRA. In that section.

16 Q. Okay. So they're referring to that.
17 Your response then deals with, if we look at
18 page 6, Alpine's view of this issue of whether
19 or not these SARs should be filed; is that
20 correct?

21 A. Yes.

22 Q. I just want you to take a look at the
23 paragraph that begins as a firm subject to
24 multiple regulatory agencies. Do you see that
25 paragraph?

1 A. I do.

2 Q. You say in here Alpine, like other
3 broker-dealers, must often choose between filing
4 SARs when there is no indicia of suspicious
5 activity other than activity that in general has
6 been the subject of scrutiny of FINRA, such as
7 activity in low priced securities, and not
8 filing at all and risking backward looking
9 criticism. Do you see that?

10 A. I do.

11 Q. All right. Can you just explain to us
12 a little -- was that a tension that you dealt
13 with at Alpine?

14 A. Yes. There was definitely a balancing
15 act between defensive filings, filing for
16 everything, versus not -- a period of not filing
17 or not filing in a very specific instance, and
18 then having it be questioned later.

19 Q. Okay. Now, you described this as --
20 you're using the phrase defensive filing.
21 During the time that you were at Alpine did you
22 have an understanding of whether this particular
23 issue, a large deposit of low priced securities,
24 had been repeatedly cited by the regulators as
25 being an issue about which they were concerned?

1 A. Yes.

2 Q. Was there a particular -- were there
3 particular issuances, for example, that you were
4 reviewing and trying to interpret as you were
5 dealing with this issue of whether these SARs
6 should be filed?

7 MR. CARLYLE: Object to form.

8 A. Yes. There was very -- very specific
9 guidance by FINRA and a notice to members that
10 specifically identified activity occurring in a
11 low priced security as being suspicious in
12 nature.

13 Q. And based on all the information that
14 you had at the time, did you -- did Alpine
15 continue to file deposit SARs -- by that I mean
16 SARs that simply reported to the regulators the
17 large deposits of low priced securities?

18 MR. CARLYLE: Object to form.

19 A. We did.

20 Q. This explains here that Alpine was
21 filing SARs where there was no indicia of
22 suspicious activity. Do you see that?

23 A. I do.

24 MR. CARLYLE: Object to form.

25 Q. Okay. That's in the letter.

1 So at the time that these SARs
2 were being filed, were these SARs based on the
3 actual evaluation by Alpine that this activity,
4 the large deposit of a low priced security, was
5 actually suspicious?

6 A. It is my understanding that that was
7 the case.

8 Q. That Alpine itself thought these
9 transactions were suspicious?

10 A. No. No. That -- that Alpine had
11 reason to believe that -- that it needed to
12 perform these types of filings based on feedback
13 that it had received in the past.

14 Q. Okay.

15 A. Prior to my affiliation.

16 Q. All right. So going back, had Alpine
17 -- when it looked at these transactions, did
18 Alpine consider the transactions to be
19 suspicious where -- such that a filing would be
20 required under the BSA?

21 MR. CARLYLE: Object to form.

22 A. Well, initially, no.

23 Q. Okay.

24 A. I mean, that's the subject of what's
25 identified at some point elsewhere in this

1 document.

2 Q. Okay. Does this document go on to
3 describe the fact that the AML officer who is
4 there -- this is the next paragraph beginning
5 the two periods. That the then AML officer
6 reviewed conduct that previously might have
7 resulted in a SAR but determined partially as a
8 result of conversations with other regulators
9 that there was nothing suspicious to justify a
10 filing?

11 A. That is my understanding, yes.

12 Q. And that was information that you,
13 yourself, had received with respect to why there
14 had not been SAR filings over a period of time?

15 A. Correct.

16 Q. Just going on, the next thing that you
17 say is indeed the conduct at issue here, the
18 deposit and liquidation of low priced
19 securities, even when done repeatedly, need not
20 without more be considered suspicious.

21 So is that -- was that your view
22 at the time with respect to this issue of large
23 deposits of low priced securities?

24 A. Yes, that was -- that was my position.

25 Q. And you even cite the stern A G

1 decision?

2 A. That is correct.

3 Q. And is that -- is it your recollection
4 that that was a conclusion that was -- that was
5 contained within the FINRA decision in the stern
6 A G case?

7 A. That is my understanding, correct.

8 Q. Okay. This particular document, if you
9 go down to the bottom of the page, also refers
10 to an issue of whether filings were late. Do
11 you see that?

12 A. I do.

13 Q. Okay. FINRA had cited the firm for
14 filing with respect to transactions that had
15 occurred more than 30 days prior to the filing
16 of the SAR; correct?

17 A. Yes.

18 Q. Okay. And what was the firm's view in
19 terms of the timetable that relates to the
20 filing of a SAR?

21 A. Well, the view is that one has 30 days
22 to file a SAR upon making the determination that
23 the activity is suspicious in nature.

24 Q. Okay. So does that mean that the SAR
25 must be filed within 30 days of the transaction?

1 A. No.

2 Q. In this particular case was the SAR
3 filed, to your knowledge, within 30 days of
4 Alpine determining that a SAR should be filed?

5 MR. CARLYLE: Object to form.
6 Foundation.

7 A. It is my understanding that once Alpine
8 made the determination that the activity was
9 suspicious in nature, a filing subsequently
10 occurred.

11 Q. Okay. Do you know, by the way, whether
12 Alpine's filings -- whether those particular
13 filings were predicated on a determination that
14 the conduct was suspicious or whether it was one
15 of the filings that was done because Alpine
16 understood that the regulators wanted to see
17 those kinds of deposit filings?

18 A. Are you referring to the subsequent
19 filing by the firm?

20 Q. Yes.

21 A. The latter.

22 Q. Okay. All right. Flip to the next
23 page. It just goes on and on.

24 On page 7 there is an exception
25 with respect to the narratives of SAR filings.

1 Do you see that?

2 A. I do.

3 Q. Okay. And the words substantively
4 inadequate are used by FINRA with respect to at
5 least certain -- well, with respect to certain
6 of the filings -- SAR filings done by Alpine;
7 correct?

8 A. Yes.

9 Q. Now, this specifically references the
10 -- the kind of template language that we had
11 looked at previously; correct? That's -- that's
12 what FINRA is specifically pointing to; is that
13 correct?

14 A. Yes.

15 Q. Okay. Does this -- does this thing
16 tell you that your SARs are deficient for
17 failure to include in the SAR narrative every
18 single red flag that has been cited in FinCEN
19 guidance?

20 MR. CARLYLE: Object to form.

21 A. No, it does not.

22 Q. Let me just ask you, to the best of
23 your recollection, prior to the 2015 SEC
24 examination report, had Alpine ever been told by
25 the regulators that a SAR narrative must

1 automatically include a red flag.

2 MR. CARLYLE: Object to the form.

3 A. Not that I can recall, no.

4 Q. In fact, had the regulators ever
5 conveyed to Alpine any identifiable list of red
6 flags that would have to be included in a SAR
7 narrative?

8 A. I wish it was that simple. No. No.

9 Q. Okay. Let me just drop to the bottom
10 of the page and ask you, your -- your response
11 with respect to the template is that you're
12 providing the information that you consider
13 relevant. Is that generally correct?

14 A. Yes.

15 Q. What was Alpine's understanding of what
16 should be included in the narrative? If you
17 could just sum it up for me.

18 A. The -- we believe that the pertinent
19 details of the transaction should be included.

20 Q. Okay.

21 A. In the SAR filing.

22 Q. All right. And there are -- there's
23 guidance about the fact that the SAR filings
24 should include explanation of why. Do you
25 recall that guidance coming from --

1 A. I do.

2 Q. What's the meaning of that word why in
3 that context?

4 A. It really -- it's my understanding that
5 it's -- it's really an attempt to have the
6 broker-dealer articulate the reason why the BD
7 believes that activity will be suspicious in
8 nature. In other words, what is it about this
9 activity that deviates from what we know about
10 that customer.

11 Q. Okay. The last line here talks about
12 the fact that the information that's provided in
13 the SAR narrative is sufficient for any
14 regulator to request further information from
15 Alpine or investigate the activity. Do you see
16 that?

17 A. I do.

18 Q. Was there a procedure or a process that
19 existed in the SAR filing structure with respect
20 to follow-up requests coming from the regulators
21 on a SAR?

22 A. There was information on the SAR to
23 identify the broker-dealer and their contact
24 information, including the AML officer. So
25 there was a mechanism to be able to reach out to

1 A. Yes. Yes.

2 Q. Okay. In that 2014 time frame did the
3 SEC advise you or Alpine that it was required to
4 include red flag circumstances in every SAR
5 narrative?

6 A. In the examination that preceded this
7 examination?

8 Q. That's right.

9 A. No, they did not.

10 Q. Okay. In fact, did they have any
11 criticisms with respect to Alpine failing to
12 file SARs in that 2014 period?

13 A. No, not that I can recall.

14 Q. Okay. So now we're a year along, and
15 you get this examination finding. Can you just
16 explain to us what steps you took in response to
17 this?

18 A. In terms of preparing the response?

19 Q. In terms of addressing these
20 examination findings.

21 A. So it was meeting with my staff and --
22 and looking through the -- the feedback that the
23 SEC provided. Didn't really see a whole lot of
24 very specific concrete examples attached to
25 that, but saw what was -- the issues that were

1 Alpine's response, it looks like you're in this
2 section trying to explain Alpine's process and
3 how it deals with this tension with respect to
4 activity that is considered a red flag by FINRA;
5 is that correct?

6 A. Yes.

7 Q. If you look at the paragraph that
8 begins as the majority, you say as the majority
9 of Alpine's business involves the deposit of
10 penny stock, Alpine strives to achieve balance
11 between understanding when the activity is
12 suspicious and acknowledging when the activity
13 aligns with the client's typical account
14 activity. Right?

15 A. Correct.

16 Q. So what -- why is the client's typical
17 account activity significant to Alpine's
18 assessment of whether conduct is suspicious?

19 A. Well, because if the activity is
20 consistent with what we know about that
21 customer, based on their prior activity and
22 prior history, then the activity is deemed not
23 to be suspicious by the firm.

24 Q. Okay. You also indicate that there may
25 be circumstances that are reflected in the file

1 that may constitute a red flag but that would
2 not cause Alpine to file a SAR. And I'm talking
3 here about the paragraph above that, where you
4 explain the process of determining whether
5 activity is suspicious is a subjective one. And
6 there may be times when Alpine's AML officer
7 will determine not to file a suspicious activity
8 report on certain referred activity due to the
9 firm's familiarity with the client and whether
10 the activity is consistent with their normal
11 course of business.

12 So again, are you talking about
13 the kind of analysis that occurred at Alpine?

14 MR. CARLYLE: Object to form.

15 You read only a part of that sentence.

16 Q. Okay. Sorry. Are you -- but just
17 generally is that describing or referring to
18 Alpine's own process?

19 A. Correct.

20 Q. So let me ask you about that. Where
21 there may be a red flag, for example, a criminal
22 or a regulatory history, does that
23 automatically, in the view of Alpine, constitute
24 something that has to be included in the SAR
25 narrative?

1 A. Not necessarily.

2 Q. So how would that determination be
3 made, and what would -- what would it be based
4 on?

5 A. Well, in -- in those instances we may
6 look at the specific activity occurring in the
7 account to determine its relevance to that
8 adverse history. And --

9 Q. Stop there. I'm sorry. Why does it --
10 why would it matter if it's relevant?

11 A. Well, because we're determining whether
12 the activity is suspicious in nature. So we're
13 attempting to understand what the -- what the
14 activity was that -- that triggered further
15 review by the firm and then determining whether
16 that specific activity would be something that
17 we would identify as suspicious in nature.

18 Q. Okay. Did Alpine in its determination
19 about what should be in the narrative, would
20 Alpine include some history that the customer
21 may have that in Alpine's view isn't relevant to
22 the pending transaction?

23 A. Not necessarily.

24 Q. Okay. What are the factors, by the
25 way, that would make a customer's history

1 relevant or not relevant?

2 A. Well, it really depends on the facts
3 and circumstances in that case. But certainly
4 one could look at the proximity of the -- of the
5 activity for which that person -- you know, the
6 infraction, if you will, using the example of
7 regulatory or criminal history.

8 Q. Um-hum.

9 A. And also whether that specific activity
10 in the case of regulatory history or criminal
11 activity is actually what -- actually is
12 relevant to the activity. So, for example, you
13 may have a scenario where -- I'm not thinking of
14 any specific case, but you may have a scenario
15 where someone had a criminal background.
16 Perhaps they had a -- were arrested and
17 convicted for operating a dog fighting ring.
18 And that person -- and that was, you know, 20
19 years ago, 15 years ago. Most recently they
20 have been a customer of the firm and/or a new
21 customer, depending upon the facts and
22 circumstances, and there is nothing else in that
23 person's history. That person is buying a -- a
24 security that they've held for an extended
25 period of time. The facts and circumstances in

1 to take a look at page 3. Specifically the
2 paragraph beginning in addition.

3 A. Yes.

4 Q. Okay. Is that -- is that an
5 explanation again of the fact that certain --
6 first of all, that voluntary filings are
7 permissible? Is that correct?

8 A. Correct.

9 Q. Okay. And how did you know that?

10 A. The -- there's very specific FINRA
11 guidance -- or excuse me. Excuse me. Not
12 FINRA. U.S. treasury guidance around that.

13 Q. Okay. And a voluntary SAR filing would
14 occur when? Under what circumstances?

15 A. When we really want to bring -- it's
16 not necessarily indicative of a violation or
17 suspicious activity but we really want to bring
18 a matter to the attention of a regulator or law
19 enforcement.

20 Q. On that issue, again, you highlight the
21 fact Alpine's main business is providing
22 clearing and trade processing services for micro
23 cap stocks. The firm is well aware the
24 regulatory scrutiny of such transactions and the
25 wide ranging cases the SEC and other regulators

1 have brought to reduce violative activity in
2 this area. Alpine wants the various regulatory
3 agencies to have the benefit of seeing
4 information it has in its possession. So is
5 that a statement with respect to Alpine
6 continuing to report deposits even if it had not
7 found the transaction to be suspicious within
8 the meaning of the BSA.

9 MR. CARLYLE: Object to form.

10 A. Yes. Previously I think you referenced
11 the term tension kind of between the two areas.
12 And it really was a balancing act.

13 Q. Okay. And this is laying it out very
14 plainly for the regulators, that this is the
15 approach that Alpine is taking?

16 MR. CARLYLE: Object to form.

17 A. Correct.

18 Q. Okay. If you'd turn to page 5. Now,
19 this examination finding actually did highlight
20 certain bits of information and criticized
21 Alpine for not including those bits of
22 information in its SAR narratives; correct?

23 MR. CARLYLE: Object to form.

24 A. Correct.

25 Q. Okay. And we've talked about the fact

1 that that -- that notion that these red flag
2 items must be included in the narrative, that
3 that had not previously been asserted in -- in
4 the examinations of Alpine; correct?

5 A. Correct.

6 Q. Okay. So now we have this information
7 -- we have this assertion. If you look at the
8 top of page 5, initially you seem to be --
9 you're talking here about whether certain
10 information -- background information regarding
11 the customer should have been or was included in
12 the SAR filing. And you use the phrase Alpine
13 will generally include this information in the
14 initial or subsequent SAR filings if multiple
15 filings occur over the lifetime of a customer
16 relationship.

17 So where there is some piece of
18 background information that Alpine views as --
19 as relevant, would that be included in every SAR
20 that Alpine filed that might relate to anything
21 that that customer did?

22 A. Not necessarily.

23 Q. Okay. Why not?

24 A. There could be a number of reasons.

25 One, that we're not aware of that particular

1 activity at that time, meaning we don't have the
2 knowledge of that background at that time or
3 have determined that that isn't necessarily
4 relevant or specific to a deposit transaction
5 but may be more relevant as part of any
6 subsequent transaction. So generally those are
7 the two that come to mind.

8 Q. Okay. Let me ask you something. If
9 there has been a regulatory -- I'm just curious,
10 if there has been a regulatory action filed, and
11 that's -- and that is visible to Alpine, does
12 the fact that an action was filed, is that
13 enough for Alpine to view that as indicative of
14 criminality or something that must be included
15 in the narrative if there hasn't been any
16 decision in the action. Do you see what I'm
17 saying?

18 A. I do.

19 Q. Okay.

20 A. But would you mind repeating your
21 question again?

22 Q. Okay. If -- if Alpine learns that
23 there is a regulatory action of some kind that
24 was filed but there has been no decision,
25 there's no resolution of it, would that in and

1 of itself be something that Alpine would
2 consider suspicious and it should go into the
3 narrative?

4 MR. CARLYLE: Object to the form.

5 A. No, not necessarily.

6 Q. What about if the act -- is it
7 different if the action has actually concluded,
8 if there's actually some decision?

9 A. That would -- we would look at that as
10 well. To the extent that the firm knew about
11 it, we would look at that to determine relevancy
12 to the -- to the suspicious activity report.

13 Q. Okay. The next section of the
14 paragraph talks about this idea that stock
15 promotion -- one of the criticisms had been
16 leveled bit SEC had been that Alpine had not
17 included information that the security that was
18 the subject of a SAR had been the subject of a
19 recent stock promotion.

20 And so it appears here that
21 you're responding to that particular issue. Was
22 it Alpine's view that the fact that a stock
23 promotion had occurred with respect to a
24 particular security, should that -- was that
25 viewed as suspicious and something that should

1 be included in the narrative?

2 A. No, not necessarily.

3 Q. Okay. Were there circumstances where
4 that could be relevant and included in the
5 narrative?

6 A. Yes, there could be scenarios where
7 that might be relevant. Perhaps we were filing
8 on the security and wanted to share that there
9 were details regarding a stock promotion.

10 Q. Okay.

11 A. As just -- as an example.

12 Q. All right. You say here where the
13 firm's investigation reveals that the promotion
14 activity is not germane to the intent of the SAR
15 filing, the firm employs its best judgment on
16 which information may be relevant to provide.

17 So was it Alpine's view that a
18 stock promotion may or may not be relevant to
19 the reason that Alpine is filing a SAR?

20 A. Specific to a transaction, yes.

21 Q. Okay. You go onto say, though, if
22 Alpine knows that the -- the customer is tied to
23 the stock promotion, well, then it's relevant.
24 Do you see that in the next paragraph?

25 A. Yes.

1 Q. So is that an example of a stock -- of
2 information with respect to a stock promotion
3 that is relevant to the particular filing, where
4 the client is somehow involved or associated
5 with the promotional activity?

6 A. Correct.

7 Q. Would that include, for example,
8 deposits of stock by somebody who's actually a
9 promoter?

10 A. Not necessarily, because that -- that
11 in and of itself, in that very specific example,
12 doesn't -- doesn't represent or indicate that
13 suspicious activity is occurring.

14 Q. Okay. Would that be something that
15 Alpine would take another look at?

16 A. It is one of the things that we would
17 look at.

18 Q. A closer look?

19 A. Yes.

20 Q. Okay. With respect to all these
21 various red flags that we've been talking about,
22 what was your understanding of -- of what a red
23 flag means in -- in terms of an AML analysis?

24 A. A red flag is simply a trigger. It's
25 simply a flag or something that we would then

1 review, monitor more carefully, look more
2 closely to determine whether it really truly --
3 whether the activity based on what we knew about
4 the client either directly or indirectly,
5 meaning through the introducing broker-dealer,
6 would be enough to determine whether to file or
7 not file a SAR.

8 Q. Okay. You used the word trigger. So
9 that -- are you -- is it correct that it
10 triggers a look but it's not a SAR filing
11 trigger?

12 A. Correct. There -- there is a -- all
13 we're simply doing is determining whether the
14 activity -- whether by looking at the activity
15 that activity is suspicious in nature. And at
16 that point determining whether -- if it is
17 suspicious, to file the SAR.

18 Q. Okay. There is -- there are any number
19 of pieces of industry guidance that -- that make
20 reference to this concept of red flags. For
21 example, are you familiar with 0905?

22 A. Yeah. Notice of members? I am.

23 Q. Okay. And that was -- were you
24 familiar with 0905 at the time that you were
25 performing all of these services for Alpine?

1 A. Yes, I was.

2 Q. And do you have a recollection of
3 whether 0905 references some things that are
4 maybe red flags?

5 A. Yes.

6 Q. Was it your understanding that -- that
7 that guidance said this activity is suspicious,
8 or was it saying something else? What was your
9 understanding?

10 A. My recollection is that FINRA put
11 together a list of -- of, you know, bulleted
12 points where they believed that the activity
13 could be suspicious in nature. They were very
14 clear to say it could be. Not necessarily that
15 it was. But that firm's ought to consider this
16 as part of their program.

17 Q. Okay. And as you were working to
18 develop further the AML program at Alpine, did
19 you take that guidance into account?

20 A. I did.

21 Q. And did you make every effort to insure
22 that those red flags that are discussed in the
23 guidance would be considered by Alpine as it
24 made a decision?

25 A. I believe that I did, to the extent

1 that it was specific to the firm.

2 Q. Applicable to your particular business?

3 A. Correct.

4 Q. Very good. Okay. All right. If you
5 keep going on down the page, there was a
6 criticism that Alpine had filed SARs with
7 respect to certain deposits but did not file
8 SARs relating to sales of the securities that
9 had been deposited. So if you look at the
10 paragraph beginning the staff did not identify.

11 A. I see that.

12 Q. Okay. In every instance where Alpine
13 filed a SAR that reported a large deposit of a
14 low priced security, did that mean that Alpine
15 had determined that the transaction itself was
16 suspicious within the meaning of the BSA?

17 A. Not in every case.

18 Q. And did that mean that Alpine in every
19 case would file when any of that stock was then
20 sold?

21 A. Not necessarily.

22 Q. How did Alpine evaluate whether a SAR
23 should be filed in connection with sales of
24 stock?

25 A. We would look at the -- evaluate the

1 history of the client, consult with the
2 introducing broker-dealers to the extent that it
3 was one of their clients to assess whether the
4 activity was -- what deviated from what we knew
5 about that particular client.

6 Q. Okay.

7 A. And to the extent that it did, we would
8 file a SAR.

9 Q. Was there also a market surveillance
10 component to the issue of whether a SAR would be
11 filed on liquidations?

12 A. What do you mean by a market
13 surveillance component?

14 Q. Did Alpine also look at the trading
15 activity that was occurring in connection with
16 liquidations of stock? Would they look at the
17 pattern of trading activity occurring in the
18 marketplace?

19 A. We would.

20 Q. Okay. And who -- who handled that job?

21 A. That was our surveillance. We had a
22 surveillance analyst within the compliance
23 department.

24 Q. Okay. And what was he looking for, if
25 you know?

1 A. He was looking for really, you know,
2 movement in the market, looking for activity
3 that moved the market in a particular direction.

4 Q. Okay. So he's looking for indicators
5 that there is some kind of improper conduct or
6 manipulation occurring in the market?

7 A. That is correct.

8 Q. And if a liquidation of stock was
9 occurring and those indicators were present,
10 would that trigger the filing of a SAR?

11 A. That would trigger a referral for --
12 for additional review.

13 Q. Okay. And who did that referral go to?

14 A. That would go to the AML officer or the
15 designee.

16 Q. Okay. So markets -- if market
17 surveillance sees something that's fishy in the
18 marketplace, they -- they spot that and refer it
19 over to the AML officer?

20 A. Or designee, correct.

21 Q. Okay. If you go to page 6, if you look
22 at the paragraph at the top of the page, there's
23 discussion in -- in this paragraph about what
24 Alpine understood should be included in the SAR
25 narrative. Do you see that?

1 A. I do.

2 Q. You make reference here to the five Ws.

3 What is that referring to?

4 A. Specifically who, what, where, when,
5 and why.

6 Q. Okay. And was that an idea that was
7 included in some of the FinCEN guidance with
8 respect to how to -- how to do a SAR narrative?

9 A. It was.

10 Q. And was that guidance that you used at
11 Alpine in connection with your training of
12 employees?

13 A. It was.

14 Q. And how -- how did you use that
15 guidance?

16 A. It was used in, you know, training
17 meetings that I had with compliance staff and --
18 and legal and other personnel.

19 Q. Okay. Did you -- excuse me.

20 All right. In connection with
21 the why piece of the five Ws, what was Alpine's
22 understanding of what the narrative was supposed
23 to include with respect to the question why?

24 A. The intent was to address why the firm
25 believed the activity to be suspicious in

1 nature.

2 Q. Did Alpine have any understanding that
3 red flags that the -- that industry guidance had
4 referenced as being possibly suspicious, that
5 those by definition had to be part of the
6 narrative, the why, the answer to the why?

7 A. No, I don't believe so.

8 Q. You know, I note here -- and let me go
9 back to 2012 for a minute. We've talked about
10 the fact that in response to the 2012 FINRA
11 examination that you provided a response that
12 talked about Alpine's view that its SAR filings
13 were compliant with the BSA. Do you recall
14 that?

15 A. I do.

16 Q. Okay. But having said that, did you
17 just decide to ignore FINRA's statements?

18 A. With respect to red flags or --

19 Q. Or any -- any of the FINRA criticisms.

20 A. No, not at all.

21 Q. What did you do?

22 A. The -- I took that as an opportunity to
23 develop -- further develop the program for all
24 of us to be more educated about -- about how we
25 might be able to better partner with our law

1 enforcement.

2 Q. Okay. Throughout your time when you
3 were CCO and then AMLO at Alpine were you making
4 your best effort to insure that Alpine was
5 complying with the AML requirements, including
6 the SAR filing requirements?

7 A. I believe that I was.

8 Q. At any time were you seeking to evade
9 those requirements by, for example, doing
10 defensive SAR filings that you felt weren't --
11 weren't appropriate?

12 A. No, not to evade.

13 Q. Okay. Even the deposit SARs that we've
14 talked about, were those being done because of a
15 view that this was something that regulators
16 expected to see?

17 MR. CARLYLE: Object to form.

18 A. It was done in light of that view,
19 based on feedback that we'd received in the
20 past.

21 Q. Okay. During the period 2012 and
22 through -- even through the time that you left
23 Alpine, did you make efforts to develop and
24 improve its AML program?

25 A. Yes.

1 Q. Can you just describe for us some of
2 the ways that you did that?

3 A. One was -- a couple -- a few different
4 ways. One, bringing in surveillance. A
5 surveillance team.

6 Q. So you brought that in?

7 A. Yes.

8 Q. Okay.

9 A. The -- to really focus on the training
10 activity occurring within the organization.
11 Looking to bring in an AML analyst, someone who
12 was separate from the general compliance deposit
13 processing piece of it. And then to -- really
14 to expand the AML -- the size of the team but
15 also the AML officer going from -- moving away
16 from a part-time trader to a part-time legal
17 person, he was doing legal and also AML, with
18 the hopes to -- and it was a bit stymie because
19 it took awhile to find someone, but looking to
20 bring in a full-time AML person. And it took --
21 it took awhile to do that.

22 Q. Okay.

23 A. With the expectation that we would
24 continue to -- to develop a growth in the
25 program. Looking to refine policies and

1 of your question?

2 Q. Did the SEC ever say, you know, going
3 beyond this particular language, that if there's
4 anybody involved in the transaction who's a
5 foreigner, that's a red flag?

6 A. Yeah, not that I can recall.

7 Q. For example, did the -- did you ever
8 understand from the guidelines that if your
9 customer had -- had acquired stock from someone
10 who happens to be foreign that that's something
11 that has to be disclosed?

12 A. No, not that I can recall.

13 Q. Then on page 4 -- I apologize. Page 5.
14 In the second full paragraph there is a response
15 here to this issue with respect to a foreign
16 location or incorporation. Do you see that?

17 A. I do.

18 Q. Okay. Your response was the sub
19 account holder's locale is not an indication of
20 or evidence of suspicious activity.

21 So what was -- what was your view
22 with respect to the significance of the location
23 of the sub account holder?

24 A. I didn't place any significance on
25 that.

1 Q. Okay. Let me ask you this, by the way.

2 And there's some reference in here. What about

3 -- there's -- there's lists -- OFAC lists, for

4 example, and jurisdiction lists where there is

5 heightened scrutiny. Did Alpine consider those

6 when it was dealing with its SAR filings?

7 A. We -- I can't recall actually having

8 any specific examples where a client either

9 acquired an asset from someone who was from an

10 OFAC S T N or someone who was subject to that

11 list.

12 Q. Okay.

13 A. So to the extent that we certainly

14 would look at that as part of any -- any other

15 rule or reg. OFAC or otherwise. But the --

16 simply the presence of a -- of a client who

17 resides in another country in and of itself is

18 not an indicator.

19 Q. Okay. You used the phrase there sub

20 account holder. Can you just explain what that

21 means?

22 A. In this context, I'm referring to the

23 underlying account holders of an account. So,

24 for example, you may have a -- an introducing

25 broker-dealer who's brought their client to --

1 of 2015. So part of that was looking again at
2 the program, something that we continually did
3 throughout my tenure. But looking at the
4 program, looking at opportunities to enhance it.

5 Q. Okay. There was reference in the
6 criticisms by the SEC with respect to whether an
7 issuer of securities was previously a shell
8 company. Okay?

9 A. Yes.

10 Q. So let me ask you this. Is there an
11 indication on the paperwork generally speaking
12 about whether or not the issuer of the
13 securities was ever a shell? Is that an item
14 that appears on the paperwork that Alpine
15 reviews?

16 A. The -- in some instances, correct.

17 Q. Okay.

18 A. Yep.

19 Q. Is the fact that an issuer was at some
20 point in its life a shell company, did Alpine
21 view that as something that was automatically
22 suspicious and that should -- and that must be
23 incorporated in the narrative?

24 A. Not necessarily.

25 Q. Why not?

1 A. The -- the mere fact that a company was
2 a shell company and no longer ceases to be a
3 shell company wasn't necessarily indicative of
4 suspicious activity. It is something that we
5 would look at on a facts and circumstance
6 analysis to determine whether that specific fact
7 was relevant to that particular filing.

8 Q. Okay. Let me ask you this. Whether an
9 issuer was a shell, does it make a difference if
10 the securities that are -- that are being
11 deposited are the result of an S 1 offering?
12 Does that impact the significance of whether a
13 company was a shell?

14 A. It's been awhile since I've had to
15 think about the various registrations. But my
16 recollection is that had some bearing on it.

17 Q. Okay. Let me ask it the reverse way.
18 If stock is represented to be free trading under
19 rule 144, is there any significance to whether a
20 company is a shell?

21 A. That would be important to know.

22 Q. Okay. So if it's not under rule 144,
23 what would be the impact of that in terms of
24 shell status?

25 A. The -- generally none that I can --

1 that I can think of. But again, it would be
2 something we would look at holistically as part
3 of the entire package.

4 Q. Okay. If you could take a look at page
5 10, there's a discussion there regarding
6 Alpine's heightened supervision list. Under 2 A
7 1, this reflects the criticism relating to
8 customers or accounts that appeared on the
9 heightened supervision list. Do you see that?

10 A. I do.

11 Q. Okay. Does this -- does this criticism
12 suggest that Alpine must elaborate in its SAR
13 narrative on the particular facts and
14 circumstances that led to the account being on
15 the heightened supervision list?

16 A. No.

17 Q. In fact, doesn't this cite a very
18 different issue, which is the firm failed to
19 demonstrate what its follow-up was, whether
20 meaningful review was taken with respect to
21 future activity?

22 A. Yeah, that's what's being represented
23 here.

24 Q. Okay. So in this -- in this document
25 is there any criticism that Alpine or any

1 directive that Alpine had failed by using that
2 heightened supervision designation that that in
3 and of itself was a failure of Alpine in its SAR
4 narrative?

5 A. I -- I don't believe so.

6 Q. Okay. All right. And the last of the
7 criticisms that's leveled by the SEC is the firm
8 was unable to access the website of an issuer.

9 Would that in and of itself be
10 something that Alpine viewed as suspicious or
11 indicative of criminal activity?

12 A. No, not necessarily.

13 Q. Okay. All right. We've talked about
14 the fact that in here you reference what you
15 call the five Ws, in terms of how -- what should
16 be included in a SAR filing; correct?

17 A. Correct.

18 Q. Now, the who, what, when, where kind of
19 stuff, that is part of the SAR form itself;
20 correct? So there's specific boxes looking for
21 the who and the when and all that?

22 A. Correct.

23 Q. Okay. With respect to the narrative,
24 that's more of a why question; right? Why is
25 the firm filing this SAR?

105

1 A. Correct.

2 Q. Okay. Now I would like you to take a
3 look at what we're going to mark as Exhibit 54.

4 (Exhibit 54 was marked for
5 identification by the reporter.)

6 Q. And I'm going to direct your attention
7 really to the third and fourth pages. And do
8 you recognize this document?

9 A. I do.

10 Q. Okay. This is a memo from you to Doug,
11 Erin, Mandee, and Tom; is that correct?

12 A. Yes.

13 Q. Dated August 30th of 2012; correct?

14 A. Yes.

15 Q. And what did this -- what did this
16 package memo and the attachments relate to?

17 A. It appears to relate to training
18 provided by me earlier in the day.

19 Q. Okay. Now I'm going to ask you to look
20 at the third page and the fourth page. Does
21 this memo really walk through the five Ws that
22 you're referring to also in this letter, the
23 who, what, when, where, why?

24 A. Yes.

25 Q. Okay. And let me just focus you on the